

Student Financial Aid

Background

The MDHE administers several state student financial assistance programs including:

Access Missouri

FY 09 Core - \$95,827,307

Established 2007

- Need-based with initial eligibility based on expected family contribution (EFC)
- Renewal eligibility includes a cumulative grade point average (CGPA) requirement (2.5 on a 4.0 scale)
- Statutory eligibility for EFCs of \$12,000 or less; higher EFCs may be added if sufficient funds are available
- Variable award amounts depending on sector attended (statutory maximums - \$1,000 at public 2-year institutions; \$2,150 at public 4-year institutions; \$4,600 at independent institutions)
- If insufficient funds are appropriated, all awards are reduced by an equal percentage until all statutorily eligible students can be paid

Bright Flight (Higher Education Academic Scholarship)

FY 09 Core - \$16,359,000

Established 1986

- Merit-based program with eligibility determined by standardized test score of student (top three percent of Missouri high school seniors)
- Fixed annual award for all recipients (\$2,000)
- Based on CBHE policy, renewal eligibility includes a CGPA requirement (2.5 on a 4.0 scale)

Marguerite Ross-Barnett

FY 09 Core - \$425,000

Established 1988

- Need-based grant program for students attending part-time (at least 6 but less than 12 semester hours)
- Award amounts differentiated based on $\frac{1}{2}$ time (6 hours) and $\frac{3}{4}$ time (9 hours) enrollment

Public Service Officer Survivor

FY 09 Core - \$68,710

Established 1987

Vietnam Survivor
FY 09 Core - \$50,000
Established 1991

Additional Programs Targeted for FY 10

- **Kid's Chance**
- **War Veterans Survivor**

Programs Administered by Other State Departments

There are also several state scholarship programs administered by other departments. Of these, the following program has historically been the primary topic of discussion within the higher education community:

A+
FY09 Core \$25,336,524
Established 1993

- Program administered by the Department of Elementary and Secondary Education (DESE)
- Student eligibility determined, in part, by attendance at and graduation from a high school with the A+ designation from DESE
- Students must file a Free Application for Federal Student Aid (FAFSA), maintain a high school grade point average of 2.5, have 95% high school attendance, and complete 50 hours of community service
- Participating institutions are all public community colleges and vocational technical schools and private vocational schools as specified in statute
- Students are currently reimbursed for all tuition and fees

Public Policy Discussion

During the December 4, 2008 CBHE meeting in Kansas City, presidents and chancellors participated in a frank discussion with CBHE members on the topic of state student financial aid and the amount and proportion of such aid provided to students attending each educational sector. In preparation for future public policy discussions the Commissioner of Higher Education requested the following from presidents and chancellors:

- Identification of data elements and summaries the MDHE could provide that would add value to the public policy discussion
- Any institutional research and analysis about students who receive state financial aid

- Position papers about what Missouri's public policy on state student financial aid should be

Summary

The MDHE committed to provide a summary document of all materials submitted to help provide for a more informed discussion at the upcoming February 2009 CBHE meeting. As of January 15, 2009, eleven submissions had been received, including submissions from:

- Four public four-year institutions
- Three independent institutions and one collective response from the independent sector
- Two public two-year institutions
- One former legislator

MDHE staff has reviewed all documents submitted. Summarizing the documents has proved challenging as a broad range of topics were raised. Copies of all the documents submitted have been posted on the MDHE website at <http://www.dhe.mo.gov/ssfapolicydiscussion.shtml>.

It is important to note that institutions were not asked to respond to particular public policy questions. Rather, the submissions are a self selection of topics and issues.

The following summary is organized around topic headings and is intended to provide a starting point for discussion and further comment. It is intended to add to an understanding of the complexity of the topic and the variety of issues and perspectives identified. The summary does not verify the accuracy of the content or draw conclusions though mention is made of selected positions expressed by some institutions. Interested parties are encouraged to read each submission in its entirety.

The MDHE staff will disseminate an additional document next week that will include recent utilization data on state student financial aid programs as well as acknowledge any additional submissions received from institutions and other interested parties.

Major Topics Covered in Papers Submitted

I. Guiding Principles

Some respondents who submitted comments acknowledged that awards should be simple, predictable, portable, and provide some degree of choice in the type of institutions and degree program the student desires to pursue.

II. Current Programs

Some respondents suggested that the current Access Missouri program operates as intended.

Many respondents provided detailed data about the demographic characteristics of students served by Missouri Access.

Demographic data about other programs was submitted by one respondent.

III. Definitions and Eligibility

Most respondents agreed that state need-based programs should focus on students with the highest degree of financial need. Although there are a number of accepted methodologies for establishing financial need, only one response suggested movement away from the current method using the expected family contribution (EFC). That response suggested need-based programs should base award calculations on the amount necessary to fill the gap between cost of attendance and funds available to the student to pay those costs.

While weakness in the EFC calculation process was mentioned, it was also acknowledged that the relative simplicity of this approach, coupled with its broad acceptance by families and higher education, balances those weaknesses.

Some raised the issue of the limited ability of some middle income families to contribute to their students' education costs at the level necessary to attend and complete higher education. Under these circumstances, students are unable to attend, are forced to work more hours than is optimal, or to incur debt levels that may have long range impacts. Some expressed support for the current program because of its inclusion of some of these families within the eligibility criteria.

IV. Balance between Merit-based and Need-based Aid

Given the limited funding available for student financial assistance, some respondents expressed concern about the funding of "Bright Flight," the state's primary merit-based program. It was suggested that students who are eligible for this program already have options for financing their education, often from institutional scholarship programs. In addition, because of the correlation between standardized test scores and family income, it was also suggested that students who receive merit-based aid would likely attend higher education even in the absence of this funding source.

Concerning "Bright Flight," it was suggested that, since a large majority of Missouri high school graduates already enroll in Missouri institutions, the impact of this program may not be as great as expected.

V. Access Missouri Award Amounts

Some respondents suggested that the award amounts established by statute for the Access Missouri program should be changed in order to provide funds for other purposes or to achieve equity of funds available across certain sectors. One suggestion was to equalize award amounts for all four-year institutions, both public and private, and use the savings for various other purposes. One option suggested was to use these funds to provide an increase in the awards for the neediest students at all institutions. Another option suggested would be to increase the award amount for certain types of public institutions based on their different missions and the different cost of delivering education to their students.

VI. Role of Institutional Financial Assistance

Some respondents indicated substantial contributions are made from endowments and scholarship funds as a match to students who receive state financial aid. Others raised the issue of students leveraging institution-based financial aid to increase the total of their awards. This practice is perceived to benefit students with the best preparation, who tend to come from high-income families that least need financial aid.

VII. Programs that Can Be Used Only in Specific Sectors

Some respondents raised concern regarding the inequality created by programs that provide financial assistance only to students attending certain types of institutions. It was suggested that such programs, such as A+, distort attendance patterns of students and place different types of institutions at a competitive advantage over others. For example, by limiting student outcomes to certificates and associate degrees, this type of financial aid program may not be effective in achieving the broader goals of increasing bachelor degree attainment or growing specific degree areas.

An issue was also raised regarding unfunded mandates, such as the Returning Heroes Act, that are placed on public institutions. It was noted that independent institutions are not required to comply with such programs but still benefit from public funds in the form of student financial aid.

VIII. Implications on Public Institutional Operating Budgets

Some respondents suggested that the focus on student financial assistance distorts the overall picture of higher education funding. It was pointed out that in an era of limited funding growth and Missouri's relatively low support of public institutions, the choice between direct funding of institutional operations and student financial assistance has a substantial impact. Funds allocated for student assistance, some of which are used by students attending independent institutions, are not available to support other critical

needs in public higher education. This includes both funding of core operations as well as funding to address other statewide needs.

Others suggested that students should continue to be the ones to decide how and where to use the state's financial assistance for postsecondary education. It was noted that all students' families pay taxes that support these grants and that they should all have the opportunity to benefit if they enroll within the state's boundaries.

IX. Contributions of Independent Institutions

No respondent suggested that the independent sector does not provide important contributions to postsecondary education in the state of Missouri. However, some did express concern regarding the proportion and volume of funds supporting students attending independent institutions. One respondent highlighted that the current proportion of funding provided to students attending independent institutions under Access Missouri is substantially higher than the national average.

Others emphasized the extensive contribution of the independent sector to the education of Missouri citizens. Examples of how Missouri benefits from independent institutions included percent of students enrolled at both undergraduate and graduate levels, percent of at-risk students enrolled, percent of degrees awarded, time to degree, graduates in high-need fields, and estimated costs to the state to educate similar numbers of students.

Although some respondents pointed out that independent institutions provide access to a substantial number of Missouri citizens, others indicated that excess capacity exists at public institutions, particularly at four-year institutions. Some respondents also said that the subsidization of students attending independent institutions contributes to this problem by encouraging students to attend those institutions rather than a public institution.

X. Merit Requirements in Need-Based Programs

Some respondents raised concerns about the current requirement in Access Missouri that renewal students maintain a cumulative grade point average of 2.5 on a 4.0 scale. Some said that as a need-based program, Access Missouri should have a lower GPA and cited the number of additional students that remain academically eligible to receive a degree but are not eligible for this program due solely to the academic performance standard. Suggestions were made to either lower the requirement to a 2.0 grade point average or to return to the requirement used in previous need-based programs based solely on satisfactory academic progress as defined by the institution. Other respondents expressed concern but acknowledged merit criteria are intended to ensure targeted academic outcomes and to implement some level of academic accountability for students who receive assistance through these publicly funded programs.

XI. Administrative Change

A respondent suggested that award information should be provided earlier than the beginning of the fall semester to allow schools to provide award package information sooner, thereby reduce student borrowing. It was also acknowledged that formal budget approval does not occur until July, making this change difficult.

One respondent provided information regarding the impact at their institution of the current FAFSA filing deadline of April 1 for students to be eligible for Access Missouri. It was noted that a substantial number of students that meet other eligibility requirements (citizenship, residency, EFC) are unable to receive an award because they file their FAFSAs after that deadline.

XII. Historical Perspective on Access Missouri

One respondent provided extensive detail about their perception of the political process that surrounded the establishment of the Access Missouri program, which was created by state law. Bills were sponsored in 2005, 2006, and 2007 that proposed to completely revamp the way higher education in Missouri is funded. Student financial aid was a major component of those bills; the bills also addressed capital funding and public institutions of higher education's operating budgets.

It was suggested that in 2006, representatives of public institutions of higher education contacted the sponsor to discuss an approach to higher education funding that would be acceptable to all parties. The parties ultimately agreed to support the financial aid program proposal developed by the CBHE's Financial Aid Task Force, which is what became Access Missouri. At that time, the amount projected to fully fund the Access Missouri program was approximately \$110 million.

Access Missouri was part of the 2007 higher education omnibus bill, SB 389. SB 389, which also included the Lewis and Clark Discovery Initiative, was supported by representatives of all sectors of higher education in Missouri.

Access Missouri greatly increased the number of students receiving state need-based financial assistance. The new program also brought changes in the distribution of financial assistance to students across educational sectors, as defined in the new program.